

The Brewery Project Term Sheet

- **Project.** The Project consists of the redevelopment of the former Pabst Brewery complex located in a 6 ½ block area at the junction of Interstate 43 and the Park East Freeway corridor (Site plan is included as part of Exhibit A), containing twenty-five buildings with a total floor area of 1,400,000 s.f. The Project will ultimately contain a mix of residential, office, educational, and supporting retail space. The initial stage of the Project will provide for the interior demolition and abatement of structures with a combined floor area of 546,000 s.f., the commencement of reconstruction of adjacent segments of City streets, the rededication of streets previously vacated, select demolition of structures with a combined floor area of up to 104,000 s.f., and the installation of public and private utilities necessary to serve the Project – all as more particularly set forth in the Tax Incremental District (TID) Project Plan for the Project. The projected development on the site is currently estimated at 573,000 s.f. of office space, 182,000 s.f. of retail space, 477 housing units, and 3,600 parking spaces, all currently anticipated to be developed and occupied by entities other than the Developer.
- **Developer.** The Developer for the Project is Brewery Project, LLC, the sole member of which is Joseph J. Zilber.
- **Initial Developer Funding.** Developer acquired the Project Site at a cost of \$13,450,000 on August 14, 2006.
- **Subsequent Developer Funding, and Project Marketing and Management Responsibilities.** The Developer will provide as an attachment to the Development Agreement a scope of work enumerating Developer responsibilities for managing and marketing the project commensurate with the marketing and internal payroll allocation line items in the pro forma. If the City can demonstrate that the Developer is not making adequate efforts to implement this scope of work, this will be considered an event of default under the Development Agreement. Developer shall also contribute \$400,000 to the design and construction of an innovative, ‘sustainable’ storm water management system for the Project. This contribution will take place simultaneously with City expenditures of funds to design and construct this system over and above the initial \$100,000 City contribution provided below.
- **City Funding.** The City, in cooperation with the Redevelopment Authority of the City of Milwaukee (RACM), will provide Tax Incremental Financing assistance to the District in the form of an estimated \$29,102,271 (less any applicable grant funds procured from other sources). This includes an estimated \$28,242,271 in direct assistance to the Project as follows:

- City Infrastructure Component of an estimated \$6,547,648 to cover public infrastructure within the Project site and associated developer general conditions and contractor fees; plus an additional \$100,000 associated with a sustainable storm water plan for the Project. The City of Milwaukee is to be “at-risk” for cost variances from the projected budget amount for this scope of work, which is to be performed by the City.
- Developer “At-Risk” Infrastructure Component of an estimated \$5,139,884 for additional infrastructure items including WE Energies electrical improvements, associated general conditions and contractor fees, and planning costs. The Developer is to be “at-risk” for cost variances for this scope of work (see “Cost Savings Participation” below).
- Demolition/Abatement Contribution of an estimated \$9,393,205 for asbestos abatement, interior and structural demolition, related physical improvements, and associated general conditions and contractor fees.
- City Preservation Easement Purchases of an estimated \$7,061,535. The City will purchase historic preservation easements on key historic structures within the complex in conjunction with the Developer performing interior demolition/abatement work to facilitate the re-use of these structures.

The remaining Tax Incremental Financing assistance for the District will be invested in job training assistance in association with employers who move to the site (\$500,000) and administration of the TID (\$360,000). City Funding shall be expended only for TID-eligible expenses and the Development Agreement shall set forth procedures for the application of City Funding to comply with this requirement.

- **Initial Tax Increment District Funding.** Pursuant to a tax increment district to be created for the Project, \$13.6 million of City funds will be provided initially for infrastructure construction, interior and structural demolition and abatement, and City Preservation Easement Purchases. The allocation of initial investment will be as set forth in Exhibit B, hereto.
- **Subsequent City Funding.** Subsequent provision of City funds may occur beyond Initial Tax Increment District Funding. Such subsequent City Funding will be subject to the provision of firm/binding redevelopment commitments. The evidence required to demonstrate such a commitment shall include:
 - An offer to purchase by a developer with all material contingencies on the buyer’s obligation satisfied or waived (unless Brewery Project LLC itself will be the developer for the phase in question) and including a clause satisfactory to the City that provides for reversion of property ownership to Brewery Project, LLC in the event that the purchaser of the property in

question does not initiate construction as set forth in the purchase agreement. [Note: further definition to be included in Development Agreement.]

- Evidence of an agreement by the purchaser to construct improvements meeting requirements of the agreement between the Developer and the City
- Evidence of an executed construction contract for construction of the proposed improvements
- Evidence that the purchaser has in place funding necessary to complete the purchase (where applicable) and pay for construction of the improvements

The amount of each disbursement of subsequent City funding will not exceed the amount that can be added to the TID while maintaining full projected amortization of the overall District by the end of the 25th year (currently estimated at about 20% of the stabilized taxable value of each new component of the Project). Amortization forecasts will be made on an annual basis to determine the maximum disbursement amount for the calendar year in question. These forecasts will be based on the City Assessor's projections of stabilized incremental real and personal property taxable value attributable to each new firm/binding redevelopment commitment, as well as the best and most recent information available on the real or anticipated timing and absorption of all sub-projects currently within the Project area. As actual stabilized assessment data becomes available for new development within the TID, it will be used to replace projected values in the amortization forecasts. In any year, if replacement of projected values with actual assessed values results in a finding that previously disbursed assistance will not amortize by the 25th year of the TID, disbursement of subsequent City funding will not occur or will be proportionately reduced by the shortfall until the assessed value of the TID once again reaches a level at which it is able to amortize all previously disbursed assistance amounts by the end of TID year 25.

Provision of subsequent City funding may only occur after the following conditions are met:

- Firm/binding redevelopment commitments have initially been made to produce development that will generate \$55 million in incremental taxable real and personal property value (Note: this amortizes \$13.6 MM of Initial City Funding over 20-25 years).
- Firm/binding commitments are made to cause structured parking for a minimum of 400 cars (over and above spaces allocated to users outside the project, including MATC) to be developed and made available for long-term lease or purchase by office and/or retail users no later than one calendar year subsequent to the provision of additional City assistance.

- Developer has demonstrated that each phase triggering the release of additional City funds is to be delivered in conjunction with adequate parking available for purchase or long-term lease within the Site. For the purposes of this requirement, “adequate parking” will be defined as:
 - 3 spaces per 1,000 square feet of rentable office square footage
 - 3 spaces per 1,000 square feet of retail uses (on-street parking allowable for this calculation provided it is not “double counted”)
 - One space per residential unit
 - If parking complementarities warrant consideration of shared parking opportunities for a specific phase or project, these requirements can be adjusted at the sole discretion of the Commissioner of City Development (“Commissioner”) on a transaction-by-transaction basis.
- **Pre-Closing Certification.** The Developer will covenant that it will only close on the sale of any property exceeding \$2 million after the Commissioner has first reviewed the proposed purchase and certified to the Office of the City Comptroller that:
 - a. The purchaser’s proposed development project is consistent with applicable City zoning and design regulations (see “Zoning and Design Review” below).
 - b. The project appears financially feasible, as indicated by a balanced Sources and Uses of Funds schedule and evidence of an executed contract for construction of the proposed improvements.
 - c. The purchaser has provided evidence of in-place funding commitments necessary to complete the purchase (where applicable) and pay for construction of the improvements.
- **Third Party Grants.** Both the Developer and the City will make good faith efforts to secure brownfield and other third party grant funding to assist the proposed project. The Demolition/Abatement Contribution will be reduced by 100% of the net proceeds of these grants that may be applied toward TID-eligible costs. Net proceeds will be defined as the amount of grant funds that may be applied toward TID-eligible costs, less the direct costs of securing such grant funds. Any grants that will be available to the project within calendar year 2007 will also cause the amount of Initial City Funding to be reduced by 100% of the associated net proceeds. Both of the above reduction provisions will be subject to the following limitation: if the Developer has incurred debt in order to advance funds for costs set forth in the TID Project Plan, interest and financing costs related to such debt will be reimbursable by the City as Project costs, up to a maximum of 25% of the amount of net grant proceeds. [Example: the Developer succeeds in obtaining \$1 million in net grant proceeds. The Developer has placed a \$3 million mortgage on the site to advance funds for interior demolition and abatement work which will ultimately be reimbursed by the City as part of TID

Eligible Costs. The total interest on this mortgage is \$240,000 and total financing fees are \$30,000. The maximum amount of City Assistance will be reduced by \$750,000 to reflect 100% of the net grant proceeds less a \$250,000 (25%) carve-out to be applied toward interest and financing fees.] With respect to grants received for the storm water management project, Developer shall receive 80% of all third party grant funds until Developer has recovered the \$400,000 it has advanced to fund design and construction associated with the storm water project. The City shall retain the balance of the funds received.

- **Competitive Bidding.** Contracts for work funded by the City must be bid out and the lowest responsible bidder chosen, as approved by the Commissioner.
- **Prevailing Wages and Human Resources Requirements.** The Developer will pay prevailing wages for that portion of the public infrastructure work built by the Developer, if any. Prior to disbursement of any City funds, the Developer and the City shall enter into a customary EBE Agreement providing for not less than 18% participation by Emerging Business Enterprises and a 21% Residents Preference commitment, both in forms consistent with similar transactions. These requirements will also apply to subsequent purchasers and tenants within the Project, each of which shall be required to enter into an EBE Agreement.
- **Job Training.** The Project Plan will provide \$500,000 for job training assistance in association with employers who move to the site. Specific programs will be developed once those employers are identified.
- **Third Party Requests for Assistance and Developer Contribution.** For every site or building in the Project, the purchasers/developers will be required to covenant to the Developer and the City prior to closing that they and their successors/assigns will not request TIF financial assistance from the City related to the Project, a component thereof, or its associated parking. The covenant will remain in effect for a period of 5 calendar years beyond the completion of buildout and the issuance of an occupancy permit for the site or building in question. Alternatively, if prospective purchasers or tenants approach the City for TIF assistance prior to closing, the Developer will enter into good-faith negotiations with the City to contribute a portion of the requested TIF assistance via a written-down sale price, including provisions to recapture the price reduction from incremental revenues in excess of annual City debt service requirements. [Note: this clause is intended to ensure that if portions of the project are sold to buyers or leased to tenants who intend to approach the City for additional TIF assistance, the land is to be conveyed at a written-down price. This protects against a scenario where the City builds up the value of a given parcel by providing interior demolition/abatement dollars, and then needs to provide additional gap financing assistance to the purchaser/tenant to allow them to accommodate the high land purchase price in the deal.]

- **Distribution of Net Sales Revenue.** The City will receive payments out of Net Sales Revenue (defined as total consideration paid by purchaser less applicable commissions and closing costs, plus the value of any consideration provided to the Developer in exchange for TIF-funded improvements made to Buildings 27, 28, or 35) from the sale of parcels as set forth below:
 - Developer will remit to the City 50% of Net Sales Revenue in excess of the Sales Proceeds Sharing Threshold, which shall be \$21.7 million as adjusted for the following:
 - Any actual interest costs incurred by the Developer due to debt secured by the site will be added to the sales proceeds sharing threshold to the extent such costs are not reimbursed through TID funds (see “Grants” provision above).
 - Any expenditures made by the Developer toward physical site improvements such as infrastructure construction, demolition/abatement, building improvements, and related supervisory costs that are not reimbursable by the City (i.e. are outside the currently contemplated scope of improvements) will be added to the Sales Proceeds Sharing Threshold, provided such expenditures are made in conjunction with an arms-length transaction with an unrelated entity.
 - Any expenditures made by the Developer toward the ‘sustainable’ storm water management system (net of cost recoveries and grant proceeds described in “Third Party Grants” and “Cost Savings Participation.”
 - Any City Preservation Easement Purchase proceeds will be considered Net Sales Revenue for the purposes of the calculations.
 - Any expenditures made by the Developer over and above the currently budgeted amount of \$501,500 on the base price of DOT land on Block 5 and County land adjacent to Block 1 to gain control over the full project site as defined in the 4/4/06 site plan will be added to the Sales Proceeds Sharing Threshold.

In order for an individual expenditure to be considered eligible for adjustment of the Sales Proceeds Sharing Threshold under the above provisions, the Developer must notify the City of the nature and estimated cost of the expenditure 30 days prior to commencing the work and forward to the City applicable invoices or evidence of the expenditure, 30 days after completing the work.

- Out of Net Sales Revenue remaining after any payment called for in the above subparagraph, remaining Net Sales Revenue shall be paid to Developer until payments are sufficient to provide Developer with an 8% internal rate of return (IRR). The calculation of this paragraph shall first occur at the end of the 5th annual fiscal period following the first closing

of a sale from the Developer to a purchaser and then on an annual basis until the final parcel is sold. This provision may be enforced regardless of whether payments to the City are required under the previous subparagraph. For the purposes of this IRR calculation, internal Developer costs shall be limited to the lesser of actual expenditures or 7.5% of gross sales revenue. Internal Developer costs shall include but not be limited to salaries/payroll allocation, developer fees, general/administrative and overhead, internal legal counsel, and internal marketing costs. For the purposes of such IRR calculations, if the Developer's reported actual internal costs exceed 7.5% of gross sales revenues, all internal cost items will be adjusted on a proportional basis such that the total of these cost items equals 7.5% of gross sales revenues.

- Out of Net Sales Revenue remaining after any payment called for in the above subparagraph, remaining Net Sales Revenue shall be split on a dollar-for-dollar basis between Developer and the City.
- **Cost Savings Participation.** The TID Project Plan for the Brewery Project includes a schedule of buildings anticipated to be retained and demolished. The City and Developer will agree to a scope and estimated cost of demolition/abatement work that reflects this schedule. If the Developer elects to alter the proposed scope of demolition and abatement, such scope changes which fall under the purview of the City's Historic Preservation Commission (HPC) will first require the review and approval of the HPC. The cost impacts of any resulting change order will be reviewed and any resulting savings will be calculated. Overall City Funding will be reduced by 100% of the amount of any such savings. If the Developer realizes savings on the overall costs of physical improvements to the site (including demolition/abatement and infrastructure) within the currently proposed scope of such improvements, overall City Funding will be reduced by 75% of the savings and up to 25% of such savings may be reallocated to other TID-eligible Project costs including additional public infrastructure as specified by the Commissioner.

Independently of any savings realized pursuant to the above provision, if the actual cost billed to the project for the anticipated scope of WE Energies work is less than budgeted, or if WE Energies submits a fixed-price quote for the anticipated scope of work that is less than the budgeted amount, the City shall receive 100% of the savings in the form of a reduction in the Developer "At-Risk" Infrastructure Component.

Notwithstanding the above allocation of savings, Developer shall be entitled to use 100% of any savings described above to recover any outstanding portion of its \$400,000 in actual expenditures for the project's innovative storm water management system.

- **Limits on Mortgaging the Site.** The Developer must fund the initial purchase of the Project entirely through an equity contribution in order to be eligible for Initial City Funding. The Developer may encumber the site with one or more mortgages provided that all mortgage proceeds are used solely to carry out the current proposed Project scope, including the storm water project, (i.e. the site may not be used to cross-collateralize other unrelated projects). If mortgage proceeds are used to fund demolition, abatement, or infrastructure construction activities, any subsequent assistance provided by the City must first be used to repay mortgage principal and then to fund further demolition/abatement and infrastructure work.

- **RACM Purchase Option.** If a) the annual incremental property taxes generated by the Site by the end of calendar year 2015 have not reached a level sufficient to fully amortize on a level payment basis by the end of the 27th year of the TID the full amount of Initial City Funding plus any associated allowances for capitalized interest and TID debt service shortfalls or b) in the event of a default by the Developer under the Development Agreement, RACM or its successors/assigns shall have the ability to exercise an option to purchase those portions of the Site not yet conveyed or developed. The option price shall be the greater of:
 1. The pro forma sale value of the remaining portions of the Site less the pro forma estimated demolition and abatement cost attributable to these specific areas; or
 2. The outstanding principal balance of any mortgages on the remaining Site.

Before this purchase option is executed, the City will review the Project status with the Developer and determine whether committed projects that are under construction and/or otherwise not yet fully assessed at the time of review are likely to cause annual incremental property taxes to reach a level sufficient to fully amortize the TID by the end of the 27th year on a level payment basis. If the parties mutually agree that this condition is met, the RACM Purchase Option will be deferred for up to two calendar years (end of calendar year 2017). At that point, actual incremental property tax revenues will be reviewed annually, and the ability of RACM to exercise the RACM Purchase Option will be restored if in any year these revenues are not sufficient to fully amortize the TID on a level payment basis by the end of the 27th year.

- **Limits on Developer Action.** Until the entirety of the project site has been conveyed to purchasers who have entered into firm/binding redevelopment commitments or otherwise developed, the Developer may not, without the City's consent:
 - Liquidate or consolidate the Property;
 - Merge with another entity;

- Sell, lease or transfer the Property other than to entities entering into firm/binding redevelopment commitments consistent with the City's land use regulations and the terms of the Development Agreement;
- Enter into any transaction that would materially adversely affect the ability of the Developer to complete the Project or its obligations under the Development Agreement;
- Assume or guarantee the obligations of any other person or entity that would materially adversely affect the ability of the Developer to complete the Project or fulfill its obligations under the Development Agreement; or
- Enter into a transaction that would cause a material and detrimental change to the Developer's financial condition.

In addition, if an entity related to the Developer develops any land or buildings within the site, the Developer may not sell said land and/or buildings to the related entity for an amount less than indicated in the 7/18/06 pro forma.

- **Development Agreement.** The City, Developer, and RACM shall enter into a development agreement ("Development Agreement") containing terms consistent with this Term Sheet and customary for such development agreements. The Agreement may not be collaterally assigned by Developer without the written consent of the City.
- **PILOT Payments.** The Development Agreement will require payments in lieu of taxes with respect to any parcel or building within the Project that subsequently becomes exempt from real property taxes. This provision shall be incorporated into a covenant running with the properties.
- **Financial Statements.** Developer shall provide monthly, internally generated financial statements for the Project, certified as to accuracy by the President of Brewery Project, LLC. At its discretion, the City may request independently audited financial statements to be provided within ninety days of the close of any fiscal year.
- **Street Dedication.** Developer shall rededicate portions of currently vacated N. 9th, N. 10th, N. 11th and W. McKinley back to the City for use as Right of Ways. After that rededication has occurred Developer and its assigns and contractors and agents shall be able to occupy those right of ways free of charge under the terms and conditions established by a right of entry agreement or easement approved by the Commissioner of Public Works.
- **Zoning and Design Review.** The parties will use their best efforts to apply for, initiate, and attempt to obtain all necessary zoning changes for the Project, which currently are expected to take the form of a Development Incentive Zone. The

City, acting through its Department of City Development and City Plan Commission shall have the right to approve all plans for the Project.

- **General.** This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this sort shall be incorporated in one or more agreements, including the Development Agreement mentioned above, among the City, RACM, and Developer. Resolutions approving the term sheet will also provide for the execution of all additional documents and instruments necessary to implement the Project.